

Message Text

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ORIGIN EB-07

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CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC POSTS

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E.O. 11652:N/A

TAGS: ENRG

SUBJECT: LIQUEFIED NATURAL GAS IMPORTS POLICY

1. FEDERAL ENERGY OFFICE ADMINISTRATOR ZARB ANNOUNCED
A NEW ADMINISTRATION POLICY ON LIQUEFIED NATURAL GAS
(LNG) IMPORTS ON AUGUST 5. THE NEW POLICY FOLLOWS
SEVERAL MONTHS OF STUDY BY THE ENERGY RESOURCES COUNCIL.

2. THE MAIN POINTS OF THE POLICY ARE: (A) A 2 TRILLION
CUBIC FEET PER YEAR (TCF/Y) CEILING ON LNG IMPORTS
INTO THE US (THE PRESIDENT HAD ESTABLISHED AN INTERIM
TARGET LEVEL OF 1TCF/Y IN HIS FEBRUARY 26 ENERGY MESSAGE
TO CONGRESS) AND A .8 TO 1.0 TCF/Y LIMIT ON IMPORTS FROM
ANY SINGLE COUNTRY; (B) A RECOMMENDATION TO THE FEDERAL
POWER COMMISSION (FPC) TO PRICE THIS GAS ON A ROLLED-
IN BASIS TO EXISTING HIGH PRIORITY USERS AND ON AN
INCREMENTAL BASIS TO LOWER PRIORITY AND NEW USERS; (C)
THE POLICY STATEMENT SUGGESTS NO NEW PROCEDURES
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GOVERNING EXIM AND MARAD FINANCIAL ASSISTANCE TO LNG

PROJECTS; (D) THE STATEMENT RECOMMENDS THAT THE FPC REQUIRE LNG IMPORTERS TO PROVIDE CONTINGENCY PLANS (GAS STORAGE, SYNTHETIC GAS CAPACITY, SWITCHING, ETC.) AND (E) THE

ERC WILL WORK WITH OTHER FEDERAL AGENCIES AS WELL AS STATE AND LOCAL GOVERNMENTS TO EXPEDITE THE SOLUTION OF SITING AND SAFETY PROBLEMS.

3. THE NEW STATEMENT ESTABLISHED A USG POLICY IN ADVANCE OF A SUBSTANTIAL DEPENDENCE ON THIS ENERGY SOURCE. THE ERC'S EVALUATION OF LNG IMPORTS CENTERED ON THE NEED TO PROTECT AGAINST REGIONAL OR NATIONAL OVER-DEPENDENCE WHILE ENSURING SUFFICIENT ENERGY SUPPLIES. THE SECURITY OF SUPPLY PROTECTION GIVEN BY THE ADMINISTRATION'S ADOPTION OF THE ERC'S RECOMMENDATIONS FOR ADEQUATE EMERGENCY PLANS AND INCREMENTAL PRICING HAS ALLOWED A DOUBLING OF THE ORIGINALLY SUGGESTED TARGET LEVEL. (THE EMERGENCY PLAN REQUIREMENT IS AIMED AT PROVIDING ALTERNATIVE GAS SOURCES, I.E., PREARRANGED GAS STORAGE OR SYN FUEL CAPABILITY, TO PROTECT AGAINST TECHNICAL OR POLITICALLY INSPIRED SUPPLY INTERRUPTIONS. THE INCREMENTAL PRICING FEATURE ENSURES THAT ANY LNG PRICE INCREASE IS AUTOMATICALLY REFLECTED IN THE MARKET AND NEW AND LOW PRIORITY USERS ARE NOT SUBSIDIZED BY LNG BEING ROLLED IN WITH REGULATED LOW PRICED DOMESTIC GAS.) THE INCREASED TARGET LEVEL, COUPLED WITH THE SINGLE COUNTRY LIMIT, ALSO INCREASES SUPPLY DIVERSIFICATION AND SHOULD ADD FURTHER TO SUPPLY SECURITY.

4. THE NEW POLICY STATEMENT IS INTENDED AS GUIDANCE FOR THE FPC WHICH RETAINS FINAL AUTHORITY OVER LNG IMPORTS. THE GUIDANCE IS NON-DISCRIMINATORY AND LNG IMPORT APPLICATIONS FROM ALL EXPORTING COUNTRIES WILL BE EXAMINED ON THE SAME CRITERIA WITHIN THE OVERALL IMPORT AND SINGLE COUNTRY LIMITS.

5. FULL TEXT AVAILABLE UPON REQUEST. ROBINSON

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